

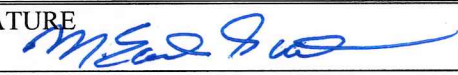


DELBERT HOSEMAN
Secretary of State

ECONOMIC IMPACT STATEMENT

An Economic Impact Statement is required for this proposed rule by Section 25-43-3.105 of the Administrative Procedures Act. An Economic Impact Statement must be attached to this Form and address the factors below. A **PDF** document containing this executed Form and the Economic Impact Statement must be filed with any proposed rule, if required by the aforementioned statute.

AGENCY NAME Mississippi Department of Human Services	CONTACT PERSON Earl Scales, Esq.		TELEPHONE NUMBER 601-359-4237
ADDRESS 750 N. State Street	CITY Jackson	STATE MS	ZIP 39202
EMAIL escal@ago.state.ms.us	DESCRIPTIVE TITLE OF PROPOSED RULE MDHS, CSE, Vol. VI, Chap. 1		
Specific Legal Authority Authorizing the promulgation of Rule: Mississippi Code Section 43-1-2, 43-1-3		Reference to Rules repealed, amended or suspended by the Proposed Rule: MDHS, CSE, Vol. VI, Chap. 1	

SIGNATURE 	TITLE
DATE 10/23/2013	PROPOSED EFFECTIVE DATE OF RULE January 6, 2014

1. Describe the need for the proposed action:

The mission of the Division of Field Operations (DFO), Central Receipting and Disbursement Unit (CRDU) is, to provide the ability for non-custodial parents (NCP) to contribute to the support of their children by making regularly scheduled support payments, allowing the custodial parent (CP) to better provide for the needs of their children through regular, uninterrupted support. Timely and accurate processing of child support payments is the key to our mission.

DFO operates the CRDU, which collects child support payments from the obligated parent and disburses those payments to the custodial parent. The payment and disbursement process involves increasingly high volumes of daily transactions, both hands-on and electronic, requiring an ongoing need to update equipment and introduce new technology to current processes.

2. Describe the benefits which will likely accrue as the result of the proposed action:

DFO, along with over thirty states across the U.S., has recognized that service providers in this area of work often have greater access to the resources necessary to provide the most up-to-date and timely processing of child support payments. The benefits of using contracted resources to administer the CRDU include allowing the State to act within its budget restraints to utilize

innovative technology and resources made available by these contractors, typically organizations with financial expertise.

3. Describe the effect the proposed action will have on the public health, safety, and welfare:

The added resources provided through the vendor will ultimately lead to a more efficient child support payment process, positively affecting the health, safety, and welfare of the public.

4. Estimate the cost to the agency and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues:

The CRDU currently operates at a cost of \$1.04 million, however a mandatory software update is scheduled for October 2013, at a cost of \$2.11million in addition to the current operating costs. The estimated cost to the agency of implementing and enforcing the proposed action is no more than the current operating cost of \$1.04 million, with the proposed action ideally costing less than the current amount. The estimated amount of paper work for MDHS will considerably decrease considering the large amount of mail that is received daily by MDHS regarding child support payments. In addition there will be an increase in electronic payment processing for both receipts and disbursements, also decreasing the amount of paperwork. The cost estimated to other state or local government entities is zero, and the estimated amount of paperwork is zero. Also, there is no anticipation of any effect on state or local revenues.

5. Estimate the cost or economic benefit to all persons directly affected by the proposed action:

The people affected by the proposed action would include; the employees of the CRDU, NCPs, and CPs. The service provider will be required to give all current CRDU employees an opportunity to continue working in the CRDU, and they will most likely receive an increase to their current salaries. The NCP will not incur any costs because of the proposed action, other than a fee for making support payments by credit card if they so choose. The NCP, with the proposed action, will be provided with the increased and easier ability to make their child support payments and request and receive information about their case. CPs also will not incur any costs and will be provided with increased access to information regarding their case as well as an increased assurance that their support payments will not be delayed due to receipting and disbursement issues.

6. Provide an analysis of the impact of the proposed rule on small business:

The new rule will not impose any additional requirements on small businesses. Employers who currently must participate in the federally and state mandated child support income withholding order requirement, may continue to submit their employee's child support payments either by check or by Electronic Fund Transfer(s) (EFT).

- a. Identify and estimate the number of small businesses subject to the proposed regulation: N/A
- b. Provide the projected reporting, recordkeeping, and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record: \$0.00
- c. State the probable effect on impacted small businesses: The service provider will be significantly increasing communications with employers, advocating submission of employee support payments by EFT, which are substantially less expensive for the NCP, employer and MDHS. Mississippi Code section 93-11-111(2) legislates that for each

withholding of income by an employer located in Mississippi, the employer shall withhold two dollars (\$2.00) in addition to the support payments, regardless of the number of payments made to cover the employer's cost. Section (3) legislates that the employer shall withhold an amount not to exceed fifteen dollars (\$15.00) per month from the income of the obligor to cover the administrative costs for MDHS to receive and distribute the payments. The National Automated Clearing House Association found that by using EFT instead of paper checks, an employer with less than 100 employees can save \$19,000.00 per year.

- d. Describe any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation including the following regulatory flexibility analysis:
 - i. The establishment of less stringent compliance or reporting requirements for small businesses;
 - ii. The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
 - iii. The consolidation or simplification of compliance or reporting requirements for small businesses;
 - iv. The establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and
 - v. The exemption of some or all small businesses from all or any part of the requirements contained in the proposed regulations: The proposed regulation does not impose any requirements on small businesses.
 - vi.
7. Compare the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule:

As stated above, the cost of the proposed rule will be no greater than the current cost of the CRDU at \$1.04 million, and the benefits will include regularly updated equipment and processes along with innovative technology.

The probable costs of not adopting the proposed rule would be costs such as the one described above, due to the mandatory software update. This update will cost \$2.11 million dollars because the current system will become obsolete at that point. MDHS has no way of predicting when the next system update will be necessary, how long subsequent updates will remain current or the cost of such updates. Software updates for child support payment processing are extensive, and service providers in this industry have greater resources available to obtain these updates and spread their costs among clients. Other costs, beyond the software updates, include yearly increases to equipment and software maintenance, which would not be necessary if left up to the service provider. MDHS's current maintenance contract increases by 10% each year throughout the life of the contract.

Also, if the proposal is not adopted, MDHS will incur costs of added security measures to the CRDU. MDHS will need to acquire a bonded courier service to handle daily deposits to the bank. The CRDU will have to be restructured with added walls for segregation of duties, as well as additional doors and automatic security locks to decrease the possibility for employee injury while performing assigned duties. Increased security personnel will be necessary to make the CRDU cash secure, enhancing the safety of those balancing the cash.

Further, a significant amount of time and resources are allotted to maintaining the CRDU, from the physical upkeep to policy administration. These resources could not be utilized in other areas of child support if the rule was not adopted. Lastly, a significant amount of time will have to be devoted to employer outreach by MDHS staff if the proposal is not adopted.

8. Determine whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law:

It is MDHS's determination that less costly methods do not exist to achieve the purpose of the proposed rule. Service providers in this area have easier access to much needed resources and innovative technology, and also carry with them the expertise necessary to provide high quality service to families.

9. Describe reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency:

There are limited alternatives to be considered by MDHS in order to achieve the purpose of the proposed action. The only reasonable alternative would be for MDHS to commit a considerable amount of personnel and funds to increasing security measures as well as updating both hardware and software, including ongoing maintenance and future updates.

10. State reasons for rejecting alternative methods that were described in #9 above:

The reason for rejecting this alternative is due to the extensive initial and ongoing cost of making these changes. MDHS has limited resources available to make these changes as opposed to vendors, who are capable of implementing these changes in the timeframe MDHS wants to accomplish these, as well as ongoing goals.

11. Provide a detailed statement of the data and methodology used in making estimates required by this subsection:

The estimated costs to MDHS of implementing and enforcing the proposed action was calculated by studying other State Disbursement Unit (SDU) costs to states who are similar to Mississippi in regards to child support functions. MDHS reviewed 15 different states SDU costs and the services that were provided to those states by their vendor, and compared those services and costs to what MDHS would be requiring from a potential vendor. Also, the cost of implementing the proposed action was estimated by reviewing the current costs of \$1.04 million incurred by MDHS to operate the CRDU, and potential cost savings MDHS could obtain by eliminating certain expenses. The estimated amount of paperwork was determined by reviewing what amount is currently used in the CRDU process, and what amounts could potentially be eliminated by utilizing innovative technology.

MDHS anticipates no effect on state or local revenues, no amount of paperwork, or cost to any other state or local government entities, of implementing and enforcing the proposed action, therefore no data or methodology was used to make these estimates.

In order to estimate the cost or economic benefit to all persons directly affected by the proposed action, MDHS reviewed all potential persons who could be affected by the proposed action, as well as what costs they incur now and what benefits could potentially be expected from the new services provided from a vendor.